

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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June 29, 2010

Ms. Deborah Robinson Barmack  
Executive Director  
San Bernardino Associated Governments  
1170 W. 3<sup>rd</sup> Street, 2<sup>nd</sup> Floor  
San Bernardino, CA 92410-1715

Dear Ms. Barmack:

This letter is to inform you that the California Department of Transportation (Department) Audits and Investigations (A&I), is terminating the audit of the San Bernardino Associated Governments' (SANBAG) fiscal year (FY) 2008/09 Indirect Cost Allocation Plan (ICAP). The termination is at the request of SANBAG. Specifically, A&I received a June 4, 2010, electronic communication from William Stawarski, of your staff, in which he formally requested to withdraw SANBAG'S FY 2008/09 ICAP from the audit process.

On May 28, 2010, Mr. Stawarski indicated SANBAG would not bill the Department for FY 2008/09 indirect costs. This letter will also serve as notification to the Federal Highway Administration and Department Programs and District Offices that SANBAG is not authorized to claim FY 2008/09 indirect costs to federal or State-funded projects or to use FY 2008/09 indirect costs to meet match requirements.

On March 30 2010, SANBAG submitted a FY 2009/10 ICAP. Based on reviews of SANBAG's previous reimbursement requests to the Department, A&I has noted that SANBAG charges very little direct labor to federal or State funding sources, resulting in limited indirect cost recovery amounts. Since A&I expended significant audit resources on SANBAG's FY 2007/08 and 2008/09 ICAPs only to have the ICAPs withdrawn during the audit process, A&I requested SANBAG on May 28, 2010, to provide an estimate of the amount of FY 2009/10 indirect costs anticipated to be claimed to the Department. To date, the requested information has not been provided to our office.

If A&I does not receive the above requested FY 2009/10 information from SANBAG by July 13, 2010, A&I will consider SANBAG's FY 2009/10 ICAP also withdrawn. Additionally, A&I would strongly recommend that SANBAG perform a cost/benefit analysis before developing and submitting future ICAPs to determine if the eventual indirect cost recovery from the Department will be worth the cost expended by SANBAG to develop the ICAPs.

If you have any questions, please contact Amada Maenpaa, Audit Manager, at (916) 323-7868, or me at (916) 323-7105.

Sincerely,

*Original signed by*

MARYANN CAMPBELL-SMITH  
Chief, External Audit, Local Governments  
Audits and Investigations

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration  
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration  
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